

Montague Township  
**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)  
Year ended June 30, 2008

Montague Township

List of Elected Officials

Supervisor: .....	Jeffrey King
Clerk: .....	Wesley Weesies
Treasurer: .....	Tracy Korthase
Trustee: .....	Jay Goodrich
Trustee: .....	Peter Staal

# Montague Township

## Table of Contents

Independent Auditors' Report .....	1-2
Management's Discussion and Analysis .....	3-9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	10
Statement of Activities .....	11
Fund Financial Statements	
Balance Sheet—Governmental Funds .....	12
Reconciliation of the Balance Sheet of governmental funds to the Statement of Net Assets .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - governmental funds .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the Statement of Activities .....	15
Agency Fund	
Statement of Fiduciary Assets and Liabilities .....	16
Notes to the Financial Statements .....	17-24
Required Supplemental Information	
Budgetary Comparison Schedule—General Fund .....	25



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## **INDEPENDENT AUDITOR'S REPORT**

January 2, 2009

Township Board  
Montague Township  
Montague, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montague Township, as of and for the year ended June 30, 2008, which collectively comprise Montague Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montague Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montague Township, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

*Lake Michigan CPA Services, P.C.*  
Ludington, Michigan

## Management's Discussion and Analysis

### Using this Annual Report

As management of Montague Township, we offer readers of Montague Township's financial statements, this narrative overview and analysis of financial activities for the year ended June 30, 2008. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### Financial Highlights

The Township's governmental activities showed an improvement over the prior year, as the Township's revenues exceeded expenses by \$9,362 in the government-wide financial statements. This was similar the 2007 fiscal year, which reflected an increase in net assets of \$9,494.

The Township's General Fund expenditures exceeded revenues by \$6,646.

### Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

## Management's Discussion and Analysis

### *Government-Wide Financial Statements*

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

### *Fund Financial Statements.*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Montague Township has two governmental funds, but has no business-type funds. The Township's only major fund is the General Fund.

## Management's Discussion and Analysis

The Township has two types of funds as noted below:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison for the General Fund is found at the end of this report. This schedule demonstrates compliance with the Township's adopted and final revised budget.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

### *Notes to the Financial Statements.*

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.



# Montague Township

Muskegon County, Michigan

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## Management's Discussion and Analysis

### Government-wide Financial Analysis

Net assets of the Township may be used as an indicator of a government's overall financial position. As of June 30, 2008, the Township's net assets from governmental activities totaled \$433,905, which was an increase over the net assets of \$424,543 at June 30, 2007.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets totaled \$475,426 at June 30, 2008. This investment is offset by long-term debt of \$149,085 at June 30, 2008. The unrestricted net assets for governmental-type activities at June 30, 2008 depicted a fund balance of \$107,564. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations.

The following table presents a summary of the government-wide statement of net assets:

	June 30, 2008	June 30, 2007
Current Assets	\$ 110,801	\$ 114,533
Noncurrent Assets	475,426	477,446
Total Assets	<u>\$ 586,227</u>	<u>\$ 591,979</u>
Current Liabilities	\$ 19,090	\$ 18,351
Noncurrent Liabilities	133,232	149,085
Total Liabilities	<u>152,322</u>	<u>167,436</u>
Investment in Capital Assets, Net of Related Debt	326,341	313,247
Unrestricted Net Assets	<u>107,564</u>	<u>111,296</u>
Total Net Assets	<u>433,905</u>	<u>424,543</u>
Total Liabilities and Net Assets	<u>\$ 586,227</u>	<u>\$ 591,979</u>

# Montague Township

Muskegon County, Michigan

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## Management's Discussion and Analysis

The change in governmental activities' net assets showed an increase of \$9,362 during the fiscal year. Operating revenues of \$22,174 and general revenues of \$200,216 combined exceeded expenses of \$213,028.

The following table summarizes the governmental statement of activities for the years ended June 30, 2008 and 2007:

	June 30, 2008	June 30, 2007
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 9,450	\$ 6,210
Operating Grants and Contributions	12,724	6,333
General Revenues		
Property Taxes	78,252	76,331
Grants and Contributions not restricted	112,059	109,840
Unrestricted Investment Earnings	1,493	2,276
Miscellaneous	8,412	12,244
Total Revenue	222,390	213,234
<b>Expenses</b>		
General Government	99,997	107,291
Public Safety	60,982	55,451
Public Works	7,295	5,026
Community and economic development	15,608	14,659
Culture and recreation	21,484	12,921
Interest	7,662	8,392
Total Expenses	213,028	203,740
Increase (Decrease) in Net Assets	9,362	9,494
Net Assets, July 1, 2007 and 2006	424,543	415,049
Net Assets, June 30, 2008 and 2007	\$ 433,905	\$ 424,543

# Montague Township

Muskegon County, Michigan

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## Management's Discussion and Analysis

### Fund Financial Analysis

As noted above, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming requirements. Montague has two governmental funds, the General Fund and a special revenue fund.

The General Fund reported an ending fund balance of \$102,491, all of which is unreserved and unrestricted for continuing Township service requirements. The fund balance of the General Fund declined \$6,646 over the prior year. This was due to an increase in spending.

### General Fund Budgetary Highlights

The originally adopted General Fund budget for the June 30, 2008 fiscal year showed planned revenue of \$211,199 and expenditures of \$229,902. The excess of expenditures over revenues was to be covered by the Township's fund balance. The total revenue budget did not change from the original budget to the final amended budget. However there were changes within expenditures, including increasing the fire budget from \$51,000 to \$61,500, increasing sewer expenses from \$3,500 to \$5,500, increasing spending on parks from \$14,600 to \$20,600 and adopting several other small expenditure increases in various functions.

### Capital Assets

The Township's total investment in capital assets as of June 30, 2008 was \$475,426. The investment in capital assets includes land, land improvements, buildings, and equipment. There were no current year capital asset additions or disposals.

### Long-term debt

Montague Township had one note payable at June 30, 2008. The total amount outstanding as of June 30, 2008 and 2007 was \$149,085 and \$164,229, respectively.

## Management's Discussion and Analysis

### General Economic Overview

Montague Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue, both of which are expected to remain at about the same level or slightly below what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2008 fiscal year.

### Requests for Information

This financial report is designed to provide a general overview of the Montague Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montague Township, 8915 Whitbeck Road, Montague, Michigan 49437 or (231) 894-4414.

**Montague Township**  
Statement of Net Assets  
June 30, 2008

**ASSETS**

	Governmental activities
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 90,556
Receivables	2,551
Due from other governmental units	17,694
Total current assets	<u>110,801</u>
<b>NONCURRENT ASSETS</b>	
Capital assets, net	
Nondepreciable	22,523
Depreciable	452,903
Total noncurrent assets	<u>475,426</u>
Total assets	<u><u>\$ 586,227</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	\$
Accounts payable	3,237
Notes payable, due within one year	15,853
Total current liabilities	<u>19,090</u>
<b>NONCURRENT LIABILITIES</b>	
Notes payable, less amounts due within one year	133,232
Total liabilities	<u>152,322</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	326,341
Unrestricted	107,564
Total net assets	<u><u>\$ 433,905</u></u>

The accompanying notes are an integral part of this statement.

**Montague Township**  
Statement of Activities  
For the year ended June 30, 2008

		Program Revenue		Net (Expense)
				Revenue and
				Changes in
				Net Assets
<b>Functions/Programs</b>			Operating	
	Expenses	Charges	grants and	Governmental
Governmental activities:		for services	contributions	activities
General government	\$ 99,997	\$ 6,295	\$ -	\$ (93,702)
Public safety	60,982	-	7,020	(53,962)
Public works	7,295	2,500	2,792	(2,003)
Community and economic development	15,608	-	-	(15,608)
Culture and recreation	21,484	655	2,912	(17,917)
Interest	7,662	-	-	(7,662)
Total governmental activities	<u>213,028</u>	<u>9,450</u>	<u>12,724</u>	(190,854)
General revenues				
Property taxes, levied for general purposes				78,252
Grants and contributions not restricted to specific programs				112,059
Miscellaneous				8,412
Unrestricted investment earnings				<u>1,493</u>
Total general revenues				<u>200,216</u>
Change in net assets				9,362
Net assets at July 1, 2007				<u>424,543</u>
Net assets at June 30, 2008				<u>\$ 433,905</u>

The accompanying notes are an integral part of this statement.

# Montague Township

## Balance Sheet

### Governmental Funds

June 30, 2008

#### ASSETS

	General Fund	Other governmental fund	Total governmental funds
<b>ASSETS</b>			
Cash and investments	\$ 85,483	\$ 5,073	\$ 90,556
Accounts receivable	2,551	-	2,551
Due from other governmental units	17,694	-	17,694
Total assets	<u>\$ 105,728</u>	<u>\$ 5,073</u>	<u>\$ 110,801</u>

#### LIABILITIES AND FUND BALANCES

##### LIABILITIES

Accounts payable	\$ 3,237	\$ -	\$ 3,237
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##### FUND BALANCES

Reserved for:

Park improvements	-	5,073	5,073
Unreserved	102,491	-	102,491
Total fund balances	<u>102,491</u>	<u>5,073</u>	<u>107,564</u>
Total liabilities and fund balances	<u>\$ 105,728</u>	<u>\$ 5,073</u>	<u>\$ 110,801</u>

The accompanying notes are an integral part of this statement.

**Montague Township**  
Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Assets  
June 30, 2008

Total fund balance—governmental funds	\$ 107,564
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Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the  
governmental funds.

Cost of capital assets	\$ 685,370	
Accumulated depreciation	<u>(209,944)</u>	475,426

Long-term liabilities in governmental activities are not due  
and payable in the current period and are not reported  
in governmental funds

Notes payable	(149,085)
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Net assets of governmental activities in the Statement of Net Assets	<u>\$ 433,905</u>
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The accompanying notes are an integral part of this statement.



# Montague Township

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the year ended June 30, 2008

	General	Other	Total
	Fund	governmental	governmental
		fund	funds
<b>REVENUES</b>			
Property taxes	\$ 78,252	\$ -	\$ 78,252
Intergovernmental revenues - state	114,851	-	114,851
Local contributions	-	2,912	2,912
Charges for services	7,120	-	7,120
Special assessments	7,020	-	7,020
Licenses and permits	2,330	-	2,330
Investment earnings	1,491	2	1,493
Miscellaneous	8,412	-	8,412
Total revenues	<u>219,476</u>	<u>2,914</u>	<u>222,390</u>
<b>EXPENDITURES</b>			
Current:			
General government	99,731	-	99,731
Public safety	60,982	-	60,982
Public works	7,295	-	7,295
Community and economic development	15,608	-	15,608
Culture and recreation	19,730	-	19,730
Debt service			
Principal	15,114	-	15,114
Interest	7,662	-	7,662
Total expenditures	<u>226,122</u>	<u>-</u>	<u>226,122</u>
Net change in fund balances	(6,646)	2,914	(3,732)
Fund balance at July 1, 2007	<u>109,137</u>	<u>2,159</u>	<u>111,296</u>
Fund balance at June 30, 2008	<u>\$ 102,491</u>	<u>\$ 5,073</u>	<u>\$ 107,564</u>

The accompanying notes are an integral part of this statement.

## Montague Township

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds to the Statement of Activities For the year ended June 30, 2008

Net changes in fund balances - total governmental funds	\$ (3,732)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(2,020)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	15,114
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Change in net assets of governmental activities	\$ <u>9,362</u>
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The accompanying notes are an integral part of this statement.

**Montague Township**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
For the year ended June 30, 2008

	Agency Fund
<b>ASSETS</b>	
Cash and investments	\$ <u>9,137</u>
<b>LIABILITIES</b>	
Due to other governmental units	\$ <u>9,137</u>

The accompanying notes are an integral part of this statement.

**Montague Township**  
Notes to the Financial Statements  
June 30, 2008

**I. Summary of significant accounting policies**

The accounting policies of Montague Township have been adopted to conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Montague Township.

**A. Reporting entity**

Montague Township is a general law township located in Muskegon County, which operates under the direction of a five member elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

**Montague Township**  
**Notes to the Financial Statements**  
**June 30, 2008**

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and other taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Montague Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the township reports the following fund type:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Montague Township and other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

**Montague Township**  
Notes to the Financial Statements  
June 30, 2008

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

**D. Assets, liabilities and net assets or equity**

***1. Deposits and investments***

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

**Montague Township**  
Notes to the Financial Statements  
June 30, 2008

The 2007 state taxable value for property within the Township totaled approximately \$48,906,362. The property tax levied consisted of 1.1665 mills for the Township's operating purposes and the tax revenue is recorded in the Township's General Fund. The extra voted millage above 1 mill was approved by the electorate of the County of Muskegon as a fixed allocation of the 15 mills provided by the State Constitution, authorizing townships in the County of Muskegon a maximum of 1.3 mills.

**3. *Capital assets***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Equipment	5-10
Land improvements	10

**4. *Long-term obligations***

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

**5. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**6. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Montague Township  
Notes to the Financial Statements  
June 30, 2008

**II. Stewardship, compliance and accountability**

**Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The township supervisor prepares the budget and submits it to the Township Board prior to June 30. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures. The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Township Board. The legal level of budgetary control is the function level. The Township Board made several budgetary appropriations throughout the year.

**III. Detailed notes on all funds**

**A. Deposits and investments**

***Interest Rate Risk***

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

***Concentration of Credit Risk***

The Township Board places no limit on the amount that the Township may invest in any single issuer.

***Custodial Credit Risk – Deposits and Investments***

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of June 30, 2008, all \$90,556 of the Township's governmental funds' deposits were covered by federal depository insurance.



Montague Township  
Notes to the Financial Statements  
June 30, 2008

***Foreign currency risk***

The Township is not authorized to invest in securities which have this type of risk.

**B. Receivables**

The Township's receivables in the governmental funds consisted of a balance due of \$2,551 from franchise fee revenue. The Township's due from other governmental units consisted of a State of Michigan shared revenue payment of \$17,694.

**C. Capital assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 452,903	\$ -	\$ -	\$ 452,903
Capital assets, being depreciated:				
Land improvements	179,985	-	-	179,985
Buildings and improvements	25,496	-	-	25,496
Equipment	26,986	-	-	26,986
Total capital assets, being depreciated:	232,467	-	-	232,467
Less accumulated depreciation	207,924	2,020	-	209,944
Net capital assets, being depreciated	24,543	(2,020)	-	22,523
Total governmental capital, net	<u>\$ 477,446</u>	<u>\$ (2,020)</u>	<u>\$ -</u>	<u>\$ 475,426</u>

Depreciation expense was charged to the functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 265
Culture and recreation	<u>1,755</u>
Total	<u>\$ 2,020</u>

**Montague Township**  
Notes to the Financial Statements  
June 30, 2008

**D. Long-term debt**

The Township had one note payable outstanding at June 30, 2008. The proceeds of this note were used in a prior year to purchase land for a township park. The note has an interest rate of 4.87% and it matures in May 2011 with a balloon payment. The following is a summary of the long-term debt for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
Governmental activities:				
Note payable	\$ 164,229	-	15,144	\$ 149,085

Annual debt service requirements to maturity for debt outstanding as of June 30, 2008 is as follows:

Year ending June 30,	Governmental activities	
	Principal	Interest
2009	\$ 15,853	\$ 6,924
2010	16,642	6,134
2011	116,590	4,906
	<u>\$ 149,085</u>	<u>\$ 17,964</u>

**E. Fund balance restrictions and reservations**

The Township's reserved fund balance of \$5,073 in the other governmental fund is reserved for future park improvements.

**F. Other information**

**1. Risk management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**2. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims,

**Montague Township**  
**Notes to the Financial Statements**  
**June 30, 2008**

including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

**G. Pension plan**

The Township provides pension benefits for all of its elected officials through a defined contribution plan. The Township's pension investments are held in trust by the investment fiduciary, John Hancock Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended June 30, 2008, pension expense was approximately \$5,700.

**H. Economic dependency**

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current operations. For the year ended June 30, 2008, the state shared revenue was approximately 47% of total revenue.

### **Required supplementary information**

**Montague Township**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
For the year ended June 30, 2008

	Budgeted Amounts			Variance with final budget- positive (negative)
<b>REVENUES</b>	Original	Final	Actual	
Property taxes	\$ 76,549	\$ 76,549	\$ 78,252	\$ 1,703
Intergovernmental revenues - state	111,000	111,000	114,851	3,851
Charges for services	5,250	5,250	7,120	1,870
Special assessments	6,400	6,400	7,020	620
Licenses and permits	700	700	2,330	1,630
Investment earnings	5,500	5,500	1,491	(4,009)
Miscellaneous	5,800	5,800	8,412	2,612
Total revenues	211,199	211,199	219,476	8,277
<b>EXPENDITURES</b>				
Current				
General government				
Township board	9,250	9,250	8,998	252
Supervisor	14,350	14,350	13,899	451
Elections	1,245	1,870	1,572	298
Clerk	19,450	19,450	19,020	430
Treasurer	17,800	18,600	18,837	(237)
Assessor	12,000	13,672	12,800	872
Townhall	29,650	29,650	17,591	12,059
Board of review	1,030	1,030	592	438
Other general government	6,675	6,800	6,422	378
Public safety				
Fire	51,000	61,500	60,982	518
Public works				
Roads	11,100	11,100	1,795	9,305
Sanitation	3,500	5,500	5,500	-
Community and economic development				
Planning and zoning	15,475	16,250	15,608	642
Culture and recreation				
Parks	14,600	20,600	19,730	870
Debt Service				
Principal	15,101	15,101	15,114	(13)
Interest	7,676	7,676	7,662	14
Total expenditures	229,902	252,399	226,122	26,277
Net change in fund balance	\$ (18,703)	\$ (41,200)	(6,646)	\$ 34,554
Fund balance at July 1, 2007			109,137	
Fund balance at June 30, 2008			\$ 102,491	



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Certified Public Accountant  
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January 2, 2009

Township Board  
Montague Township  
Montague, Michigan

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montague Township for the year ended June 30, 2008, and have issued my report thereon dated January 2, 2009. Professional standards require that I provide you with the following information related to my audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated June 6, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

#### Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 22, 2008.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Montague Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2008 fiscal year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

##### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated January 2, 2009.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*


I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to my retention.

*Comments and Recommendations*

During my review of the tax bank account, I noted that the Township has not maintained the tax account as an imprest account and has accumulated township funds in the tax account. The State of Michigan requires that the tax collection fund disburse tax receipts in a timely manner to the appropriate governmental units, including the Township. The Township should disburse current tax funds to the General Fund in the same manner as disbursements to other governmental units. The Township should also disburse the accumulated cash from prior tax levies to the Township's General Fund.

This information is intended solely for the use of the Township Board and management of Montague Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
Lake Michigan CPA Services, PLC